

VZCZCXRO6431
PP RUEHBC RUEHDE RUEHIHL RUEHKUK
DE RUEHGB #0768/01 0791429
ZNY SSSSS ZZH
P 201429Z MAR 09
FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC PRIORITY 2307
INFO RUCNRAQ/IRAQ COLLECTIVE

S E C R E T SECTION 01 OF 02 BAGHDAD 000768

NOFORN
SIPDIS

E.O. 12958: DECL: 03/20/2019
TAGS: PGOV PREL PTER PBTS IZ IR
SUBJECT: IRANIAN VISITORS AND DEVELOPERS WORRY BASRAWIS

REF: A. BAGHDAD 762
 B. BAGHDAD 661
 C. BASRA 002

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Classified By: Senior Advisor Gordon Gray for reasons 1.4 (b) and (d)

Summary

11. (S/NF) One year after militias supported by Iran were routed in the Charge of the Knights operation, Basra residents continue to be worried about Iranian influence over national politics and local security. In separate meetings with Senior Advisor Gordon Gray, held March 17-18, tribal and Iraqi intelligence sources claimed that the recent visit to Najaf by Iranian President Rafsanjani was organized to pressure Prime Minister Maliki and the Islamic Supreme Council of Iraq (ISCI) to make amends and re-establish a united governing coalition. Local security officials see Iran behind a recent uptick in IEDs in Basra, including attacks against Coalition Forces. Many also worry about border security along the Shatt al-Arab waterway and the effect of Iranian dams on local marshes, which are mostly dry near the Basra Province-Iran border. Basrawis expressed wariness that the Basra Investment Commission approved for an Iranian company a license to build \$1.5 billion worth of houses, stores, and hotels in the city. End summary.

Suspicious of Rafsanjani

12. (S/NF) In separate meetings, Colonel Hazim from the Basra Fusion Cell and two prominent Basrawi sheikhs claimed that the visit of former President Ali Akbar Rafsanjani in early March was orchestrated to patch up differences between Prime Minister Maliki and ISCI. Sheikhs Sabah and Salam Taki al-Maliki, from the al-Qurnah region north of Basra, said that the Rafsanjani delegation's visits -- with Grand Ayatollah Sistani in Najaf; Ayatollah Karbal'ae in Karbala; President Talabani, Da'wa and ISCI leadership in Baghdad -- were designed to use the Shi'a religious hierarchy to pressure Maliki to work with ISCI and the Kurds and, by extension, be more amenable to their positions (ref A). The sheikhs, who have become strong supporters of the Prime Minister due to his increasingly nationalist stance vis-a-vis the Kurds and Iran, sounded relieved that efforts to reunite ISCI and Da'wa had not been successful. Sabah and Salam did not specify their sources, but both have strong links to the Iraqi Army and the Prime Minister's office. The anger aroused in the sheikhs by the Rafsanjani visit was shared by many in the Basra area. The local leader of the Sunni National Dialogue Front and several local Shi'a sheikhs protested Rafsanjani's visit vigorously in the Basra media, noting his role in the Iran-Iraq War.

¶3. (S/NF) Colonel Hazim, a former Iraqi Army officer, also asserted without prompting that the Rafsanjani visit aimed to reunite Da'wa and ISCI. He added that Iran has an interest in seeing the Kurds succeed in its squabbles with the central government over Kirkuk and Article 140. "Federalism is an Iranian position," he remarked, suggesting that Iranian soft support for Kurdish regional objectives in the north is part of a broader goal of supporting a larger, theoretically ISCI-governed region in the south. Hazim's view closely aligns with views expressed by other Iraqi Security Forces (ISF) officers in Basra, including the Iraqi Army 14th Division Commander, Major General Abd al-Aziz (ref C). Not all local leaders agreed with this analysis. ISCI/Badr leader Hassan al-Rashid told us flatly the Shi'a marja'iyah would not intervene in ISCI-Da'wa relations, and that the two sides were not close.

Getting More Violent

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¶4. (S/NF) Hazim also provided his view on the recent uptick in IEDs and rocket attacks in Basra and the south more generally, which he called "a new phase in the insurgency." IEDs and their components, he said, are being shipped from Iran through Amara to Basra. Hazim boasted that his team, along with the ISF, stopped political assassination attempts during the election season and had arrested four people in connection with the latest rocket fired at the Coalition Operation Base. He believed it would be difficult to stop militia elements, since the lack of a strong central organizing force (i.e., Jaysh al-Mahdi circa 2007) means that cells are broken into groups of only a few people and are hard to track. Hazim suggested that militias are receiving Iranian funding, including through hashish sales, but also

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said that militia members have increased local funding by getting their tentacles back into Basra port and related government agencies.

Iranian Construction License

¶5. (C) Basrawis are also buzzing about the \$1.5 billion license approved in February by the Basra Investment Commission (BIC) for the Iran company Abb Hayatt and its subsidiary, Karman. The license, which reportedly would be Iran's largest in Iraq since 2003, still requires approval from the National Investment Commission. The license would authorize construction of 5,000 housing units, hundreds of stores, three-star and four-star hotels, a supermarket, and health facilities, among other amenities. The location has not been determined; Karam has proposed to build both downtown and on the outskirts of the city. Conflicts over property rights and land use may slow down final national approval and construction. To many, such as the al-Qurnah sheikhs, approving such a large license to an Iranian firm is cause for alarm, or at least concern. BIC Chairman Haider Ali, perhaps sensing local unease, decried in local media the lack of bidders from the UK and other coalition countries. Many appointees to BIC are ISCI/Badr members; some, including NDF leader Awad al-Abdan, have told the Regional Embassy Office that this facilitated the Iranians' bid. ISCI/Badr Provincial Council (PC) member Hassan al-Rashid did not discuss the contract specifically, but said that appointments to the BIC to be made by the new provincial government are a serious point of contention. He strongly suggested that keeping ISCI/Badr seats on BIC is a priority for him.

Water and the Border

¶6. (C) Water and security along the Iranian border remain key issues for Basrawis; all interlocutors, including the ostensibly pro-Iranian ISCI/Badr leadership, emphasize that the U.S. must do more to train the ISF to patrol the borders.

The sheikhs, picking up on comments made earlier this month by Foreign Minister Hoshyar al-Zebari, mentioned that disagreements over the demarcation of the border along the Shatt al-Arab waterway were still worrisome. (Our contacts in Dhi Qar last week made similar claims; ref B.) Several leaders in southern Iraq also point to dams built by the Iranians along the Karun River as a prime contributor to the dry marshlands in the region. Dayaa Jaafar Hajam, a Da'wa PC member, strong candidate for governor, and Chief of Operations at Southern Oil Company, acknowledged the serious bilateral issues that Iraq has with its neighbors with respect to water. He was confident that the Iraqi government had recently reached an understanding with Turkey that would increase water flows to the marshes and believed that Syria could be convinced to build fewer dams on the Euphrates in return for cheaper crude oil. Regarding Iran, Dayaa could see no immediate solutions and commented, "I only hope the issue doesn't spill into other areas."

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